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UNCLAS SECTION 01 OF 03 GENEVA 002781

SIPDIS

PASS USTR FOR DWOSKIN
EB/OT FOR CRAFT
USDA FOR FAS/ITP/SHEIKH, MTND/YOUNG
USDOC FOR ITA/JACOBS

E.O. 12958: N/A

TAGS: [ETRD](#) [WTRO](#) [USTR](#)

SUBJECT: WTO HEADS OF DELEGATION MEETING - NOVEMBER 10, 2005

1. Begin Summary. Following a report by Director-General Lamy on the lack of movement in recent informal consultations, WTO heads of delegation decided on November 10, 2005 to "recalibrate" their expectations for the upcoming Ministerial Conference in Hong Kong, China. At the same time, they also stressed their conviction to maintaining a high level of ambition for the negotiations as a whole as well as the importance of using the Hong Kong meeting as an intermediate step in reaching a high-quality agreement by the end of next year. Several delegations said they would intensify their negotiating efforts prior to Hong Kong and urged others to do the same.

2. There was disagreement, however, over the nature of texts for Hong Kong. Some such as Australia called for primarily factual texts identifying areas of convergence and divergence, saying the remaining gaps appear too wide to be bridged by chairs in numbers or a range of numbers. Others, including the United States and Hong Kong China, felt chairs should have greater flexibility in bridging gaps and empowering Members to stretch toward the ambitious agreements they are asking for. In his conclusion, Lamy expressed the view that chairs should be able to decide an approach on a case-by-case basis in order to maximize the potential for progress.

3. In substantive themes, the EC found its immobility on agriculture criticized by many Members, with Brazil blaming the lack of trust in negotiations to a situation in which one partner makes a proposal but a key partner responds that it cannot move because it is already at its bottom line. Many Members expressed the view that development should be a key theme in Hong Kong. Egypt (for the Africa Group) argued that development is being neglected and criticized recent proposals for creating few new commercial opportunities for Africa. The EC and China called for development deliverables in Hong Kong, both mentioning cotton and duty-free quota-free market access for LDCs and China adding TRIPS/public health. END SUMMARY

Lamy's Remarks

4. Director-General Lamy opened with some thoughts about process. He recognized that some delegations are unhappy with his exclusion of certain participants from recent informal consultations. He apologized for any hard feelings, saying he is committed to a transparent and inclusive process and no offense was intended to anyone - his goal, he explained, was simply to try to find a consensus among the smallest of concentric circles that could then be broadened to the overall membership. He regretted a "trust deficit" among Members handicapping the entire negotiation.

5. Turning to substance, Lamy reported "some bad news and a little good news." In terms of bad news, there has not been enough convergence in recent consultations to reach full modalities on all of the elements in the July 2004 framework. The question now, he said, is whether Members should try for full modalities by Hong Kong - "if we try this jump and we miss it," he warned, "we might lose what has already been achieved." The alternative, he explained, is to "recalibrate" expectations for Hong Kong to what can reasonably be achieved.

6. In terms of good news, Lamy felt that no Member wants to reduce the level of ambition for the round as a whole. There is clearly the will to achieve ambitious results, he said, and when there is a will there is a way - "we just have to find that way." He pointed out that what has already been achieved in the negotiations is not negligible; much more is needed, he emphasized, but if what has already been achieved is lost Members would have a big problem. In informal consultations, everyone is expressing the clear desire to preserve what has been accomplished so far.

7. If Members do decide to recalibrate their expectations for Hong Kong, Lamy urged them to carefully reflect about process so there is not a lessening of ambition for the overall negotiations. By Hong Kong, Lamy felt there still could be a range of numbers or parameters in key areas, together with corresponding texts on rules so the overall package is balanced and can consolidate the progress achieved since the July 2004 frameworks. Lamy then posed two questions to

Members on the way forward:

- First, do Members agree with his assessment of the situation?
- Second, do Members agree on the need for an intermediate stage in Hong Kong before an attempt is made to reach full modalities?

Member Statements

18. More than thirty Members made statements, using words such as "sobering", "realistic", and "disappointing" to describe Lamy's diagnosis but agreeing with him that expectations for the upcoming Ministerial Conference must be recalibrated. At the same time, many Members underscored the importance of maintaining a high level of ambition for the negotiations as a whole. Ambassador Allgeier emphasized that the Hong Kong meeting must be as substantive as possible and serve as a launching pad to a high-quality agreement by the end of next year, and he affirmed that the United States would intensify its efforts in the run-up to Hong Kong. Other Members hit similar themes:

- Ambassador Gosper of Australia stated that any recalibration must not compromise the ambition set out in the Doha Declaration.
- Ambassador Valles Galmes of Uruguay recalled previous recalibrations in July 2004 and July 2005 and warned of diminishing overall expectations.
- India's ambassador described Lamy's assessment as "somber" and said it would go along with recalibration but was not a demandeur of it.
- Chile, China, and Hong Kong China emphasized the importance of maintaining the intensity and avoiding slippage in the negotiations.

19. Members disagreed over the nature of texts for Hong Kong. Australia called for primarily factual texts identifying areas of convergence and divergence, saying remaining gaps appear too wide to be bridged by chairs. Argentina, the EC, Brazil, Switzerland, and others opposed the use of numbers in the absence of agreement on full modalities. Hong Kong China felt chairs should be free to advance the process in any way they can, narrative or numerical. Ambassador Allgeier opined that chairs must strike a delicate balance, representing Member views on the one hand but also empowering them to stretch toward the ambitious agreements Members are asking for.

110. The EC's agriculture stance was implicitly or explicitly criticized by many Members. Ambassador Huguene of Brazil attributed the lack of trust to difficulties created when proposals are made and the response from a key partner is that it cannot move because it is already at its bottom line. Costa Rica said it is looking for a sign from the EC that ambitious outcomes are possible in all areas. Uruguay said some Members are showing more flexibility than others and added that the talks could be in trouble if some Members have no room to maneuver - "if that is the case, recalibration won't solve the problem."

11. Many Members hit development themes. On behalf of the Africa Group, Egypt strongly argued there has been little progress on issues of commercial importance for African countries, citing preference erosion, cotton, TRIPS/public health, and the five LDC-specific proposals as of critical importance. Zambia (for LDCs), Tanzania, and Kenya all argued that development should be the main theme in Hong Kong. The EC and China called for development deliverables including cotton and duty-free, quota-free market access for LDCs. China also mentioned TRIPS/public health.

112. Many delegations including Chile, the EC, Hong Kong China, and Switzerland stated that the Ministerial Conference can still be a success by consolidating progress made since the July 2004 package. Many Members used the term "launching pad" to describe the Ministerial Conference's importance in kick-starting the final phase of negotiations in 2006. Korea and Singapore added that Lamy's transition to a more integrated approach in the negotiations has been a positive development. Other points made by Members that might be of interest to Washington agencies include:

- India, Brazil, and China highlighted the need for balance across issues, with India repeating Nath's statement that the negotiations turn on more than one pivot.
- India, Egypt on behalf of the Africa Group, and Mexico said they would oppose attempts to reinterpret existing mandates in the negotiations.
- Singapore and Thailand saw the need for members to have a program and list of priorities to give them a clear sense

for what they need to accomplish in 2006.

- Jamaica worried that progress on its priorities is lagging and an intermediate step in Hong Kong could deepen existing imbalances.
- The Philippines highlighted the importance of gaining greater clarity on issues set out in annex B, paragraph 8 of the July 2004 decision.
- Bulgaria noted the importance it attaches to GIs and expressed concern that Hong Kong, as an intermediate stage, might lock in concessions made conditionally.
- Colombia stated that agriculture equates to development and argued that more countries should recognize the gains that will come from better market access.
- Argentina asked Lamy whether changing expectations for the Ministerial Conference also meant a delay in the mid-November target date for texts.
- The Democratic Republic of the Congo asked Lamy how he planned to put development back at the center of the negotiations.

Lamy's Assessment

¶13. Following Member statements, Lamy said he heard widespread agreement that Members share his disappointment but see a need to recalibrate their objectives for Hong Kong. At the same time, however, they clearly do not want to reduce their ambitions for the negotiations and want the Hong Kong meeting to be a positive step toward completion of the negotiations in 2006. There is also strong agreement on the need for texts to prepare capitals for Hong Kong, he judged, but he regretted the insistence on a bottom-up approach that he felt implies a lack of confidence in the process.

¶14. There the consensus stops, Lamy felt, creating a problem for chairs in devising texts. There seem to be two views - one that chairs should prepare factual reports with no numbers, and another that chairs should do whatever they can to capture progress achieved since July 2004 and one way to do that is to give them the option of including numbers. The first view is defensive and tactical, he judged, while the second is oriented toward narrowing gaps and covering as much distance as possible. He concluded that chairs should be able to decide an approach on a case-by-case basis in order to maximize the potential for progress.

¶15. Then Lamy responded to the questions on timing (from Argentina) and development (by Democratic Republic of the Congo). On timing, Lamy said the date for some texts is slipping, but it cannot go beyond late November if ministers and capitals are to have sufficient time for review. On development, Lamy emphasized that Hong Kong must reaffirm the development aspect of the negotiations and credibly advance issues such as S&DT and the package of LDC-specific issues, but he repeated his view that progress here can be no substitute for progress elsewhere and stressed that the greatest development gains will come from the pillars of the negotiations.

¶16. The EC asked whether Lamy's approach might "introduce modalities through the back door" and cause confusion if chairs issue texts that do not emanate from convergence among Members. Lamy responded sharply, first "thanking" the EC for so clearly expressing the suspicion that he'll be heavy-handed in preparations for Hong Kong and then opining that "one doesn't need to be clairvoyant" to understand why the EC doesn't want numbers in texts. He urged Members to trust the chairs they've appointed, to try to improve confidence in the process, and to continue working hard to achieve balanced texts by Hong Kong. Allgeier